



Bank of Papua New Guinea

Presentation

By

Mr. Loi Martin Bakani CMG

Governor

Bank of Papua New Guinea

To the

National Planning Consultative Summit

Lae International Hotel,

Tuesday, 20th March, 2018

Hon. Peter O'Neill, Prime Minister,
Hon. Richard Maru, Minister for National Planning,
Honorable Ministers,
Governors,
Secretaries,
Provincial Administrators,
Ladies and Gentlemen.

It is too early in the year to have some detailed information on the economic developments in 2017. Following the very high growth rates during the construction and early production stages of the PNG LNG project, economic growth tapered off in the last two years-2016 and 2017. The subject we should try to discuss and the incoming Government has to decide on is:

1. What is the potential rate of economic growth in Papua New Guinea;
2. What has to be done to reach this potential growth rate;

There is no better forum to discuss and provide some answers to the above two questions than the "National Planning Consultative Summit" that Minister Richard Maru decided to convene at this very early stage of the incoming Government that will have the remaining of its five year term, to decide and implement.

As the Governor of the Central Bank, I asked myself the above two questions over and over again. My conclusion is that the only way to answer them is to look at the experience of other developing countries that went through the same process and made it.

There are some success cases of converting subsistence agriculture based economies, and place them on a developing path. Some of them are just in the process and we can learn from their experience. I refer to some Pacific as well as some South East Asian countries.

Each and every one of those countries is very different from the other, as well as from Papua New Guinea. Most of them have a much bigger population, their history is very different from ours, so it might sound that we are not able to learn from their experience and adapt them to our needs. But history and close watch shows that in spite of it, even if we can't copy paste what they did, it is important to learn from them.

Here I want to dwell on the theme of this "National Planning Consultative Summit".

Some of us were part of the experiences and the approaches that controlled National Planning up to and including the late 1980s and early 1990s. Some of us might have forgotten the planning approach that was used in those years, and took up a lot of time and resources. I'm referring in particular to the Input-Output tables used by the Planning Department at that time. To the best of my recollection, if we go back to the late 1990s or the early 20th century, we used to have a Planning Volume in our Annual Budget that tried to provide some very detailed National Planning frameworks.

There were some very good things about the Planning Volume. The better part of it was that each and every project in the plan had a detailed financing source attached to it. One of the main sources used to be the Australian grants, and the loans from the Asian Development Bank (ADB) and World Bank (WB), and a combination of grants and loans from European Union (EU). With most loan funded projects, the National Budget had to provide the Counter Fund financing, which in most cases was not a major burden on the National Budget, although we were always short and late in providing the amounts needed.

I do not recommend going back to the outdated detailed planning processes. My recommendation is to set some clearly defined goals, and do all things possible to create the necessary conditions that they generate maximum domestic economic activity as measured by locally produced GDP, and serve a clearly set objective that we want to achieve.

My view is that, the objective we set is very much in line with the one that was set by some of the other developing countries "self sufficiency in food production". We should produce all the food we can to feed ourselves and the future generations. We are blessed with a large fertile land mass, excellent climatic conditions, plenty of water sources that can enable us to become self sufficient in food production for our present and the for-seeable future generations. The country is in close proximity to some of the markets that are major importers of food, so that all the excess productions beyond the domestic demand can be exported.

For too long we lived with some legacies of what we can and what we can't grow and do. From the time this Government came into office in 2011, we proved that this land of ours is blessed. We can grow and be competitive with imports, in temperate vegetables, eggs and chicken products and at the beginning of proving it in dairy and milk products. There are still many areas we should try out like tropical foods, fruits and vegetables, for example.

What we have seen in the last seven years are only the first steps in a long walk that will show the real potential of this land of ours, to feed ourselves, our future generations and the scarcity of food supply of some of our neighbors.

Honorable Richard Maru, I recommend that the main outcome of this National Planning Consultative Summit should be, a "Plan That Will Turn Papua New Guinea Self Sufficient in Food Production for Domestic Consumption". Toward this end to develop a detailed "Agricultural Development Plan" say for the next five years that, will detail which products to be introduced, and at what pace in the suitable regions (districts). It will have to detail the conversion of the effected population from Subsistence Farmers to Cash Crop growers. It will have to clearly define, the necessary infrastructure developments that will have to be implemented, to enable this change to materialize. It will also require to clearly identifying, which other supporting industries and businesses will have to be developed, to enable this change to happen.

Experience of other countries show that the answer to the first question is: "the potential economic growth of Papua New Guinea in the medium to long term is 6% to 7%, per annum".

To achieve it, the Government has to secure that most of the GDP generated by the plan is domestically generated, and not go for the financing plans of some of the Exim Banks, that have a condition of foreign inputs, in the range of 80% and above.

God bless you all and Papua New Guinea.

